

CalPERS

Annual Investability Review

Bernstein Value Equities Emerging Market Company Reports

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Section 1 – Bernstein's Investment Process

Investment Process

In managing CalPERS' Emerging Markets Value portfolio, Bernstein uses its own company and country research to identify the best opportunities within the countries that CalPERS defines as meeting its investability criteria. Our process starts with a broad list of stocks within all of the approved countries. We use a proprietary quantitative model to create an expected return for each security within this universe which enables us to rank stocks from most to least attractive. Returns for companies are adjusted to incorporate our own analysis of country investability issues. We examine political stability, the commitment to democratic institutions and principles as well as free market policies, the state of the judicial system, property and shareholder rights, compliance with ILO principles, market liquidity, market regulation, openness to and treatment of foreign shareholders, trading and settlement conditions, repatriation risk, market breadth and volatility. We adjust returns of companies based on investability conditions in their home countries.

Our fundamental analysts focus on the stocks that look most attractive from both a valuation and investability perspective. They undertake deep company level research to determine which of these attractively ranked stocks are our best investment opportunities. Their research includes gathering comprehensive data regarding the company, its industry and the countries in which it operates. Extensive field research is undertaken with company management, suppliers, competitors, customers, and others, including government officials, who could impact the company's outlook. Their findings are summarized in a detailed five year forecast of earnings, cash flow and balance sheet.

In looking at companies we consider their labor practices, treatment of shareholders, the overall attitude towards corporate social responsibility, risks such as currency and liquidity of its shares and whether the company complies with the Sullivan Principles. Differences between companies on these factors influence the position size (if any) that we place in the portfolio.

In general, the largest individual stock positions are in the companies where we have the greatest research confidence and believe the greatest upside lies. The portfolio team examines the overall risk of the portfolio using proprietary risk models which incorporate country, industry and style factors. By controlling these sources of risk we seek to limit the portfolio's absolute volatility to market-like levels.

Section 2 – Bernstein’s Holdings by Country

Argentina

1. IRSA INVERSIONES Y (247302) - Company invests in commercial and residential real estate in Argentina

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Security is a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	1	Inadequate judicial systems Centralization of Presidential authority
4. Strong and impartial legal system	1	Legal system unable to protect the rights of foreign shareholders in face of populist policies in the aftermath of the 2001 devaluation and default.
5. Property and shareholder rights	2	Protection adequate for unregulated industries. Adequate at the company level.
6. Labor practices/harmful child labor	3	No material issues detected
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	1	Due to company’s home currency
13. Liquidity risk	2	

Section 2 – Bernstein's Holdings by Country

IRSA INVERSIONES Y (247302) – (Continued)

14. Repatriation risk	1	Isolation from world capital markets leads to high uncertainty over the possibility of laws or regulations limiting repatriation rights. Not company specific
15. Market openness to foreign investors	1	Legal framework governing investments has broken down post crisis. Not company specific
16. Government commitment to free market policies	1	Past examples of government intervention – Banking, Utilities, Oil & Gas. Not company specific
17. Legal protection for foreign investors	1	Legal framework governing investments has broken down post crisis. Not company specific
18. Trading and settlement proficiency	2	While trading and settlement is sometimes problematic in Argentina, this security is traded on the NYSE
19. Transaction costs	2	
Company Total score:	33	

Section 2 – Bernstein’s Holdings by Country

Argentina

2. TENARIS S.A., SPONS ADR EACH REP 10 COM (216736) – Company manufactures and distributes seamless steel pipes to the petroleum industry through subsidiaries in Argentina, Mexico and Italy

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Security is a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Extensive information supporting financial statements provided
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	1	Inadequate judicial systems Trend toward centralization of Presidential authority
4. Strong and impartial legal system	1	Legal system unable to protect the rights of foreign shareholders in face of populist policies in the aftermath of the 2001 devaluation and default.
5. Property and shareholder rights	2	Protection adequate for unregulated industries. Adequate at company level.
6. Labor practices/harmful child labor	3	No material issues detected; improved worker safety record 50% over past 5 years
7. Corporate social responsibility	2	Provided steel tubing for Peru’s controversial Camisea gas project
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	Limited exposure to Argentine peso.

Section 2 – Bernstein's Holdings by Country

TENARIS S.A., SPONS ADR EACH REP 10 COM (216736) – (Continued)

13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.
14. Repatriation risk	1	Isolation from world capital markets leads to high uncertainty over the possibility of laws or regulations limiting repatriation rights. Not company specific.
15. Market openness to foreign investors	1	Legal framework governing investments has broken down post crisis. Not company specific
16. Government commitment to free market policies	1	Past examples of government intervention – Banking, Utilities, Oil & Gas. Not company specific.
17. Legal protection for foreign investors	1	Legal framework governing investments has broken down post crisis. Not company specific
18. Trading and settlement proficiency	2	While trading and settlement is sometimes problematic in Argentina, this security is traded on the NYSE
19. Transaction costs	3	
Company Total score:	37	

Section 2 – Bernstein’s Holdings by Country

Brazil

3. ARCELOR BRASIL S.A COM NPV (B0R8PP) – Manufacturer of Steel

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	1	Inadequate explanatory notes supporting financial statements.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Has converted to a single (ordinary) share class with 100% tag-along rights to the shareholders. Arcelor of France is controlling shareholder.
6. Labor practices/harmful child labor	3	No material issues detected
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein's Holdings by Country

ARCELOR BRASIL S.A COM NPV (B0R8PP) – (Continued)

14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	1	
Company Total score:	42	

Section 2 – Bernstein’s Holdings by Country

Brazil

4. BRASKEM S.A. PRF'A' NPV (B0774N) – Manufacturer of commodity chemicals

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Company has depository receipt listed on NYSE and subject to exchange's disclosure and reporting requirements. Poor transparency on operations and support for financial statements
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Maintains two distinct share classes; publicly traded shares are non-voting and do not afford tag-along rights to the shareholders
6. Labor practices/harmful child labor	2	Incidences of workers protest against job cuts
7. Corporate social responsibility	2	No issues specific to company. But KLD mentioned several issues with regard to Odebrecht, which holds 48% of Braskem shares
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

BRASKEM S.A. PRF'A' NPV (B0774N) – (Continued)

14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Brazil

5. GERDAU SA SIDERURG, SPON ADR EACH REP 1 PRF NPV (229760) –Manufacturer of Steel products based in Brazil with subsidiaries in N. America

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Security has a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Poor transparency on business operations
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	2	Accusations of Labor violations in Minas Gerais involving 3 rd party Charcoal producers. Company claims this has been cleared with the Attorney General’s office with the only pending issue of dispute is that the Ministerio Publico Federal is insisting that these activities must not be subcontracted and must be units of Gerdau. We support management’s position that a free market economy should enable a company to make choices about outsourcing. The company has also hired a manager responsible solely to ensure that irregularities are remedied and prevented in the future
7. Corporate social responsibility	2	Greenpeace accusation of polluting environment in January of 2003. Company submitted the accusations to local, state, and federal environmental authorities. A two-year long enquiry was conducted based on these accusations. The conclusions of the independent research institutions were presented to the respective authorities (environmental, legal) and no evidence was found.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	

Section 2 – Bernstein’s Holdings by Country

GERDAU SA SIDERURG, SPON ADR EACH REP 1 PRF NPV (229760) – (Continued)

9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	43	

Section 2 – Bernstein’s Holdings by Country

Brazil

6. KLABIN SA PRF NPV (281334) – Manufacturer of packaging paper

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Adequate financial reports. However, audited financial statements are sometimes not provided to investors before shareholder meetings / votes
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Maintains two distinct share classes; publicly traded shares are non-voting; recently awarded tag-along rights (80% participation level) in addition to 10% incremental dividend to non-voting shares
6. Labor practices/harmful child labor	3	No material issues detected
7. Corporate social responsibility	2	Emphasis on the environment and sustainable forestry management (100% of Klabin forests have been certified through the Forest Stewardship Council). In 2005 deployed a corporate social responsibility program designed in partnership with the Institute for the Development of Social Investment
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	

Section 2 – Bernstein’s Holdings by Country

KLABIN SA PRF NPV (281334) – (Continued)

12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Brazil

7. PETROL BRASILEIROS, PRF NPV (268453) – Brazilian state owned petroleum company

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company has a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Extensive information supporting financial statements provided.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Government controlled but no evidence of disadvantage to minorities
6. Labor practices/harmful child labor	2	KLD report cites poor safety record. Company has set specific safety targets in its business plan and has been actively pursuing HSE certification of its business units
7. Corporate social responsibility	2	Company has adopted the UN Global Compact which is in spirit very similar to the Sullivan Principles. Company has also applied to be included in the Dow Jones sustainability index
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	See above
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Part of UN Global Compact adopted by company. However, evidence of compliance has been inconsistent.
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	

Section 2 – Bernstein’s Holdings by Country

PETROL BRASILEIROS, PRF NPV (268453) – (Continued)

13. Liquidity risk	3	Average trading volume greater than \$100 million per day.
14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Brazil

8. SABESP CIA SANEAME COM NPV (215854) – Sabesp is the water company majority owned by the State of Sao Paulo. It serves 25 million people in the city of Sao Paulo and over 300 other municipalities in the state with water and waste services.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	SABESP was one of the 10 finalists (out of 500 companies) for the National Association of Financial Executives award for transparency with respect to financial accounts and financial information, as it has been for the last several years. Additionally, the company provides substantial information with respect to operations, tariffs, investments, etc.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	There are two possible areas of concern with respect to property and shareholder rights. First, the company is majority owned by the State of Sao Paulo, which is also the largest customer. Delayed payment of bills by the State and municipality governments has, in the past been an area of concern; however, this concern is slowly improving through a number of actions by the state and Sabesp. Another area of concern regards concession rights. For some of Sabesp's territory, including the city of Sao Paulo, Sabesp has no official concession. However, Sabesp does own all of the water and waste service provision assets in the city. Legislation at the federal level to resolve this situation – which also exists in other areas of the country – has been under debate at the federal level. While Sabesp has the full support of the state government, there would be a risk to the company if the federal legislation were to give concession granting rights to the municipalities. The consequences of such an occurrence are unclear, as there are several legal recourses that asset owners could take, and asset ownership by Sabesp could make it difficult for concession granting municipalities to make major changes. However, the risk remains.

Section 2 – Bernstein’s Holdings by Country

SABESP CIA SANEAME COM NPV (215854) – (Continued)

6. Labor practices/harmful child labor	3	Sabesp has generally good relations with Labor, although there was a strike in June 2005 over the company’s salary adjustment. However, the strike was resolved in 3 days.
7. Corporate social responsibility	2	<p>In 2005 Sabesp won the international water symposium prize for water and development awarded by the United Nations (and UNESCO). Sabesp has been actively investing in expanding its coverage of water and waste services to deprived areas, even though these activities can be loss making. Nevertheless, there continue to be areas unserved by Sabesp within its service territory.</p> <p>With respect to environmental damage, Sabesp has a relatively good record. However, it did lose a law suit in 2005 with respect to release of raw sewage into the Alegre river and was forced to pay a \$40 million fine.</p>
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	

Section 2 – Bernstein's Holdings by Country

SABESP CIA SANEAME COM NPV (215854) – (Continued)

18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	45	

Section 2 – Bernstein’s Holdings by Country

Brazil

9. SUZANO BAHIA SUL PREF STK NPV CLS'A' (B02GKF) – Paper manufacturer

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company provides extensive information supporting financial statements and business strategy
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Maintains two distinct share classes; publicly traded shares are non-voting and do not afford tag-along rights to the shareholders
6. Labor practices/harmful child labor	3	Sets specific targets for health, safety, and diversity. Measures performance vs. targets and benchmarks
7. Corporate social responsibility	2	Company has adopted the UN Global Compact which is in spirit very similar to the Sullivan Principles.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	See above
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein's Holdings by Country

SUZANO BAHIA SUL PREF STK NPV CLS'A' (B02GKF) – (Continued)

14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	1	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Brazil

10. TELE CENTRO (229801) – Wireless telecom operator (part of Vivo, the Telefonica, Portugal Telecom JV)

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company disclosure in line with controlling shareholders who are listed companies in Spain and Portugal
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	In acquiring minority stakes, the controlling shareholders offered fair market value using valuations by independent third parties.
6. Labor practices/harmful child labor	3	No material issues detected
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	They do not have an explicit policy to comply with the “Global Sullivan Principles of Corporate Responsibility” as such, but they do comply with the spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

TELE CENTRO (229801) – (Continued)

14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Brazil

11. UNIBANCO-UNIAO DE GDS EACH REPR 500 UNITS (200081) – Brazilian Bank

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company has a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Provides detailed support to financial statements.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Maintains two distinct share classes; publicly traded shares are non-voting and do not afford tag-along rights to the shareholders
6. Labor practices/harmful child labor	3	Strike in 2000 only minor incidence detected by KLD
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

UNIBANCO-UNIAO DE GDS EACH REPR 500 UNITS (200081) – (Continued)

14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	45	

Section 2 – Bernstein’s Holdings by Country

Brazil

12. USIMINAS USI SD MG, PRF ‘A’ NPV (238600) – Manufacturer of steel products in Brazil

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Maintains two distinct share classes; ordinary and preferred shares with the preferred shares offering no voting rights
6. Labor practices/harmful child labor	2	Union protests over worker safety issues at Sidor plant. According to management, this has been addressed.
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein's Holdings by Country

USIMINAS USI SD MG, PRF 'A' NPV (238600) – (Continued)

14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Brazil

13. VOTORANTIM CELULOS, PRF NPV (B04M7M) – Manufacturer of paper products in Brazil

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Security is a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Company provides excellent information flow and transparency.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Maintains two distinct share classes; publicly traded shares are non-voting and do not afford tag-along rights to the shareholders
6. Labor practices/harmful child labor	3	Sets specific targets for health, safety, and diversity. Measures performance vs. targets and benchmarks
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

VOTORANTIM CELULOS, PRF NPV (B04M7M) – (Continued)

14. Repatriation risk	3	High current account surplus and falling debt ratios reduce likelihood of negative repatriation events
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	With the exception of regulated industries such as energy and electric utilities, the Lula government has largely implemented free market policies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	45	

Section 2 – Bernstein’s Holdings by Country

Hungary

14. MAGYAR OLAJ-ES GAZ (MOL HUNGARIAN OIL), HUF1000 (REGD) (474249) –
Hungarian refiner and distributor of oil and gas products

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Could improve on timeliness of operating statistics, but data available to investors generally adequate
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	Improved significantly and on par with peers as government ownership and control has diminished – for example, recent proposal in AGM will remove share blocking.
6. Labor practices/harmful child labor	3	Systematic measurement and monitoring of employee health and safety. Continues improvement in safety record
7. Corporate social responsibility	3	Publishes annual sustainability report detailing social, environmental, and community programs
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	While the company does not refer explicitly to the principles, the stated values in code of ethics are very similar to the spirit of the Sullivan Principles
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	

Section 2 – Bernstein's Holdings by Country

MAGYAR OLAJ-ES GAZ (474249) – (Continued)

13. Liquidity risk	2	Liquidity for the company's security has continued to improve as the government's reduction in ownership has increased free float
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Residential gas prices still regulated, but recent changes to allow for reasonable returns on regulated asset base is encouraging
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	49	

Section 2 – Bernstein’s Holdings by Country

India

15. ALLAHABAD BANK (670828) – Public Sector Bank in India

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Government controlled, but no evidence minorities have suffered as a result of its control
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

ALLAHABAD BANK (670828) – (Continued)

15. Market openness to foreign investors	2	Foreign ownership restricted. But not arbitrary.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	40	

Section 2 – Bernstein’s Holdings by Country

India

16. ANDHRA BANK (658036) – Public Sector Bank in India

CaIPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Government controlled, but no evidence minorities have suffered as a result of its control
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

ANDHRA BANK (658036) – (Continued)

15. Market openness to foreign investors	2	Foreign ownership restricted, but not arbitrary.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	40	

Section 2 – Bernstein’s Holdings by Country

India

17. BK OF BARODA INR10 (609977) – Public Sector Bank in India

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Government controlled, but no evidence minorities have suffered as a result of its control
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	Bank of Baroda has set up programs like the “Self Help Group” (focusing on micro credit programs to groups of poor farmers), and the “Baroda Swarojgar Vikas Sansthan” (providing training for unemployed rural youths).
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	

Section 2 – Bernstein’s Holdings by Country

BK OF BARODA INR10 (609977) – (Continued)

13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Foreign ownership restricted, but not arbitrary. The limit has been reached in this case and foreign investors have to pay a premium to buy depository receipts or foreign registered shares.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	41	

Section 2 – Bernstein’s Holdings by Country

India

18. BANK OF INDIA (609978) – Public Sector Bank in India

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Government controlled, but no evidence minorities have suffered as a result of its control
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

BANK OF INDIA (609978) – (Continued)

15. Market openness to foreign investors	2	Foreign ownership restricted, but not arbitrary.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	40	

Section 2 – Bernstein’s Holdings by Country

India

19. CHENNAI PETRO CP INR10 (612156) – Oil Refinery

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Company is controlled by Indian Oil Corporation
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	Controlling shareholder, Indian Oil Corp, operates in Sudan and Burma
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Company has adopted the UN Global Compact which is in spirit very similar to the Sullivan Principles. However, controlling shareholder, IOC, operates in Sudan, Burma.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affects liquidity
14. Repatriation risk	3	

Section 2 – Bernstein’s Holdings by Country

CHENNAI PETRO CP INR10 (612156) – (Continued)

15. Market openness to foreign investors	2	
16. Government commitment to free market policies	1	Petroleum product prices are controlled by the government.
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	41	

Section 2 – Bernstein’s Holdings by Country

India

20. INDIAN OVERSEAS BANK (668995) – Public Sector Bank in India

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Government controlled, but no evidence minorities have suffered as a result of its control
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	

Section 2 – Bernstein’s Holdings by Country

INDIAN OVERSEAS BANK (668995) – (Continued)

15. Market openness to foreign investors	2	Foreign ownership restricted, but not arbitrary.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	40	

Section 2 – Bernstein’s Holdings by Country

India

21. ORIENTAL BANK OF COMMERCE (612150) – Public Sector Bank in India

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Government controlled, but no evidence minorities have suffered as a result of its control
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

ORIENTAL BANK OF COMMERCE (612150) – (Continued)

15. Market openness to foreign investors	2	Foreign ownership restricted, but not arbitrary. The limit has been reached in this case and foreign investors have to pay a premium to buy depository receipts or foreign registered shares.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	40	

Section 2 – Bernstein’s Holdings by Country

India

22. PUNJAB NATIONAL BANK (652675) – Public Sector Bank in India

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Government controlled, but no evidence minorities have suffered as a result of its control
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

PUNJAB NATIONAL BANK (652675) – (Continued)

15. Market openness to foreign investors	2	Foreign ownership restricted, but not arbitrary. The limit has been reached in this case and foreign investors have to pay a premium to buy depository receipts or foreign registered shares.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	40	

Section 2 – Bernstein’s Holdings by Country

India

23. STATE BK OF INDIA GDR-EACH REP2SHS INR10 (RG S) (513109) – Bank controlled by Indian government

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	2	Various strikes and labor protests to press demands ranging from filling vacancies to stopping outsourcing of jobs. SBI officers participated in solidarity strike in April of 2004
7. Corporate social responsibility	2	SBI reinvests part of its profit in various community welfare projects. E.g. in 2003/04 the bank made large donations to the National Relief Fund, other funds, as well as various NGOs.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	

Section 2 – Bernstein’s Holdings by Country

STATE BK OF INDIA GDR-EACH REP2SHS INR10 (RG S) (513109) – (Continued)

13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Foreign ownership restricted, but not arbitrary. The limit has been reached in this case and foreign investors have to pay a premium to buy depository receipts or foreign registered shares.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	41	

Section 2 – Bernstein’s Holdings by Country

India

24. UNION BANK OF INDIA (657963) – Public Sector Bank in India

CaIPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Enforcement is inconsistent
5. Property and shareholder rights	2	Government controlled, but no evidence minorities have suffered as a result of its control
6. Labor practices/harmful child labor	2	Isolated incidences of strikes
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	India has failed to ratify 4 of 8 ILO conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affect liquidity
14. Repatriation risk	3	

Section 2 – Bernstein’s Holdings by Country

UNION BANK OF INDIA (657963) – (Continued)

15. Market openness to foreign investors	2	Foreign ownership restricted, but not arbitrary.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	More of an issue with direct investors. Investors in local exchanges have adequate protection
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	40	

Section 2 – Bernstein’s Holdings by Country

Israel

25. BK HAPOALIM BM, ILS1 (607580) – Israeli Bank

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Details of financial reports and responsiveness to requests for information above average
2. Political stability	2	More of an issue of regional stability than the Israeli government itself
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Company is controlled by 3 key shareholder groups, but no evidence that minorities have suffered as a result of their control
6. Labor practices/harmful child labor	3	No material issues detected
7. Corporate social responsibility	2	Ongoing investigation about alleged bribes paid to National Insurance Institute. Employees at Tel Aviv branch arrested on suspicion of money laundering but problems appear isolated to Tel Aviv branch and no senior managers have been implicated
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Israel has ratified 7 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	

Section 2 – Bernstein's Holdings by Country

BK HAPOALIM BM, ILS1 (607580) – (Continued)

13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	49	

Section 2 – Bernstein’s Holdings by Country

Israel

26. BK LEUMI LE ISRAEL, ILS1 (607642) – Israeli Bank partially owned by government

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Details of financial reports and responsiveness to requests for information above average
2. Political stability	2	More of an issue of regional stability than the Israeli government itself
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Government Controlled (in the process of being sold to private owners). Some evidence that the bank is being asked to pay for costs associated with transfer of shares from government to new owners (not entirely fair to minority shareholders). However, other than that, no evidence that minorities have suffered as a result of government control.
6. Labor practices/harmful child labor	3	No material issues detected
7. Corporate social responsibility	2	Ongoing investigation by US SEC into its US branch over irregular trading in securities. Fined by government for violating money laundering laws (was alleged to be negligent on procedures for verifying documents for new customers). Company’s Swiss subsidiary suffered losses from a fraud case in 2001 – but appears to have been fixed.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Israel has ratified 7 of 8 ILO conventions

Section 2 – Bernstein's Holdings by Country

BK LEUMI LE ISRAEL, ILS1 (607642) – (Continued)

10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	49	

Section 2 – Bernstein’s Holdings by Country

Korea

27. DAELIM INDUSTRIAL, KRW5000 (624958) – Korean construction company.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Disclosure could be more detailed on segment basis
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

DAELIM INDUSTRIAL, KRW5000 (624958) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Korea

28. HANWHA CHEMICAL KRW5000 (640776) – Manufacturer of commodity chemicals

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	1	Controlled by Hanwha group and has made questionable investments under influence from the group in the past. However, has potential to improve going forward due to better financial position of the parent company.
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein's Holdings by Country

HANWHA CHEMICAL KRW5000 (640776) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	45	

Section 2 – Bernstein’s Holdings by Country

Korea

29. HONAM PETROCHEM CP KRW5000 (644002) – Manufacturer of commodity chemicals

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Part of Lotte Group (34% ownership). Lotte has a history of retaining high cash balances at associated companies and there is concern that they may eventually influence investment of that cash in enterprises that may have disproportionate benefit for the group at the expense of other shareholders
6. Labor practices/harmful child labor	2	KLD has noted isolated incidences of strikes and accidents in the past.
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Some problematic political funding associated with the management of Lotte Group reported in the past. But prosecutors did not find enough evidence to implicate those accused. The company states some of these principles in its policy, especially on the safety and health side.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	

Section 2 – Bernstein's Holdings by Country

HONAM PETROCHEM CP KRW5000 (644002) – (Continued)

13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	45	

Section 2 – Bernstein’s Holdings by Country

Korea

30. HYUNDAI DEVELOPMEN KRW5000 (640242) – Residential and commercial construction.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Fined by FTC for violating public disclosure laws in June 2004. The violation was by one of their affiliated companies. This company is a very small company and did not realize they had public disclosure responsibilities. Since then, Hyundai Development has gotten actively involved with their affiliates to avoid this type of situation in the future.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Part of Hyundai group and past investment decisions had been influenced by group at expense of minority shareholders
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	

Section 2 – Bernstein’s Holdings by Country

HYUNDAI DEVELOPMEN KRW5000 (640242) – (Continued)

12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	Bid-ask spread above average
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Korea

31. HYUNDAI MOBIS, KRW5000 (644954) – Korean auto parts maker

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Related party transactions not transparent
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Cross holdings with Hyundai group companies with past decisions (i.e., purchase of Hyundai Motor shares) being made for the potential benefit of the group instead of all shareholders
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	Profits from export sales subject to currency volatility
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

HYUNDAI MOBIS, KRW5000 (644954) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Korea

32. HYUNDAI MOTOR CO, KRW5000 (645105) – Korean auto manufacturer

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Related party transactions not transparent
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Cross holdings with Hyundai group companies with past decisions (i.e., Bailout of Hyundai Cars) being made for the potential benefit of the group instead of all shareholders
6. Labor practices/harmful child labor	2	History of Labor strikes
7. Corporate social responsibility	2	CEO and Vice Chairman found guilty in June 2004 of violating campaign contribution laws and received a 2 year suspended sentence.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	See above
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	Profits from export sales subject to currency volatility
13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.

Section 2 – Bernstein’s Holdings by Country

HYUNDAI MOTOR CO, KRW5000 (645105) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	47	

Section 2 – Bernstein’s Holdings by Country

Korea

33. HYUNDAI STEEL KRW5000 (646185) – Manufacturer of steel products

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	As part of Hyundai group, some investment decisions appear to be highly influenced by the group. Recent example is decision to move forward with building of new blast furnace
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	Fined in September, 2003 (along with 8 other S. Korean steel companies) by Korea's Fair Trade Commission for price collusion. In June, 2004, INI Steel (then) announced plans to file a lawsuit against the Fair Trade Commission to overturn its ruling. Subsequently, the Company decided to pay full fine, and withdrew the case.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	See above
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	

Section 2 – Bernstein's Holdings by Country

HYUNDAI STEEL KRW5000 (646185) – (Continued)

12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	47	

Section 2 – Bernstein’s Holdings by Country

Korea

34. INDL BANK OF KOREA KRW5000 (646297) – Korean Bank

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	58% owned by Korean government, but no recent evidence that minorities have suffered as a result
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

INDL BANK OF KOREA KRW5000 (646297) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Korea

35. KOOKMIN BANK, KRW5000 (641936) – Korean Bank

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Security is a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Extensive information provided on quarterly basis.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Various isolated incidences of accounting irregularities and fraud charges. Some were motivated by political retaliation on the government’s part, while others were legitimate. As part of the actions taken, Kookmin’s President left the company
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

KOOKMIN BANK, KRW5000 (641936) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	49	

Section 2 – Bernstein’s Holdings by Country

Korea

36. POSCO, KRW5000 (669323) – Korean steel maker

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Security is a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Extensive information provided on quarterly basis.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Above average shareholder practices evidenced by dividend policy and little investment outside of core businesses
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	Issues Sustainability Report, aiming for balanced development of society, environment, and economy. India Greenfield Project – Company hired external consultant to address issues associated with relocation of tribal families (including compensation, various support e.g. education) Burma – POSCO decided to shut down operation of its JV in Burma in 2005 Cold rolled coil price fixing investigation by Korea’s Fair Trade Commission in September 2005 – case is not officially closed yet , but no action from FTC since September last year
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions

Section 2 – Bernstein's Holdings by Country

POSCO, KRW5000 (669323) – (Continued)

10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	48	

Section 2 – Bernstein’s Holdings by Country

Korea

37. SAMSUNG ELECTRONICS (677172) – Manufacturer of electronics and electronic components

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Frequent updates provided. However, reported financial statements do not fully disclose sufficient operating details.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Facing probe by Korean Stock Exchange over allegations of insider trading in its share buyback program. Pled guilty to DRAM price fixing in the US and agreed to pay \$300mil fine.
6. Labor practices/harmful child labor	2	Labor practice controversies at the plant of one of its suppliers in England. Facing NHRC investigation alleging age discrimination in hiring
7. Corporate social responsibility	2	Chairman investigated but not indicted over alleged illegal campaign financing, however he lost civil suit and was forced to pay \$7mil to the company. Other former and current Samsung Electronics executives lost suit over alleged mismanagement and forced to pay \$12mil to the company. Samsung Group executive under investigation related to Samsung Everland convertible pricing, although Samsung Electronics not involved. Chairman also investigated but found to have no involvement. Vice Chairman of Samsung Electronics investigated over alleged illegal campaign financing but cleared by government. Company pleaded guilty to DRAM price fixing in the US and agreed to pay \$300mil fine. Has taken steps to ensure does not happen in future.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	

Section 2 – Bernstein’s Holdings by Country

SAMSUNG ELECTRONICS (677172) – (Continued)

9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	47	

Section 2 – Bernstein's Holdings by Country

Korea

38. SHINHAN FIN GROUP, KRW5000 (639750) – Korean Bank

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	3	<p>The banking subsidiaries and other non bank subsidiaries such as Shinhan Credit Card and Goodmorning Shinhan Securities have entered into a comprehensive donation agreement with the social charity organization called "Beautiful Foundation". The foundation is established to provide educational assistance program for the poor and the underprivileged.</p> <p>In addition, the SFG is engaged in a variety of social community activities including environment preservation and many other assistance programs for the less fortunate.</p>
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	<p>Since its establishment, SFG has adhered to their management philosophy of "Enterprise of Community". For their employees, they have established an internal policy regarding equal opportunity and fair treatment. It also covers the development of their employees. They do not have an explicit policy document regarding social responsibility at the holding company level.</p> <p>However, the key subsidiaries, Shinhan Bank and Chohung Bank, have established a firm policy of fulfilling corporate responsibility and role.</p>

Section 2 – Bernstein’s Holdings by Country

SHINHAN FIN GROUP, KRW5000 (639750) – (Continued)

9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Korea has failed to ratify 4 of 8 ILO conventions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	48	

Section 2 – Bernstein’s Holdings by Country

Malaysia

39. PROTON (B00ML9) – Manufacturer of Automobiles

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Government owns majority stake and exerts control
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk	2	

Section 2 – Bernstein's Holdings by Country

PROTON (B00ML9) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Proton has historically enjoyed trade protection from the government. The Asean trade pact will eliminate this protection and the government is in the process of formulating a new auto policy
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Malaysia

40. TAN CHONG (687112) – Manufacturer of automobiles

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk	2	

Section 2 – Bernstein's Holdings by Country

TAN CHONG (687112) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Historic government protection of domestic manufacturing. The Asean trade pact will eliminate this protection and the government is in the process of formulating a new auto policy
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Mexico

41. ALFA SA DE CV SER'A'NPV (204342) – Holding company with businesses manufacturing auto parts, packaged foods, and petrochemicals

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Alfa provides P&L and B/S for each business. Two of three divisions have publicly traded debt and therefore have good disclosure.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Foreign shareholders not permitted to vote in shareholders' meeting as result of small stake the company has in a Telecom company
6. Labor practices/harmful child labor	3	No material issues detected at company level.
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Company representative claims that they follow explicitly
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Poor enforcement at country level
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

ALFA SA DE CV SER'A'NPV (204342) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	47	

Section 2 – Bernstein’s Holdings by Country

Mexico

42. CEMEX SA, CPO NPV (REP2'A'&1'B') (240645) – Mexican Cement company with significant international operations

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company has a depository receipt listed on the NYSE and subject to the exchange's reporting and disclosure requirements. Extensive information provided on quarterly basis.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	No material issues detected at company level.
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Poor enforcement at country level
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.

Section 2 – Bernstein’s Holdings by Country

CEMEX SA, CPO NPV (REP2'A&1'B') (240645) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	47	

Section 2 – Bernstein's Holdings by Country

Mexico

43. GPO FIN BANORTE, COM SER'O'NPV (242104) – Mexican Bank

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Extensive quarterly reporting.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	The company is controlled by Mr. Roberto Barrera. Through family and group holdings he controls over 50% of the shares. In 2003 the company introduced a poison pill into its bylaws. The details of this poison pill were not announced prior to the AGM at which it was voted for, nor was the poison pill mentioned at all in the proxy materials.
6. Labor practices/harmful child labor	3	No material issues detected at company level.
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	They do not have an explicit policy to comply with the "Global Sullivan Principles of Corporate Social Responsibility" as such but they do have a Code of Ethics and a stated Mission which comprises their basic principles that are similar to those contained in Sullivan's.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Poor enforcement at country level
10. Market regulation	3	
11. Market volatility	2	

Section 2 – Bernstein's Holdings by Country

GPO FIN BANORTE, COM SER'O'NPV (242104) – (Continued)

12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Mexico

44. TELEFONOS DE MEXICO SA DE (288161) – Integrated telecom operator

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company disclosure detailed, maintaining an ADR listing on the NYSE
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	No material issues detected. 60% owned by Carso Global (controlled by Carlos Slim) but no evidence that minorities have suffered as a result. Meets Mexican corporate governance standards which are relatively less stringent than NYSE/Nasdaq standards
6. Labor practices/harmful child labor	3	No material issues detected at company level.
7. Corporate social responsibility	2	Won the Mexican award for corporate social responsibility from Mexican Centre for Philanthropy for the 4 th consecutive year. Transparency international identified Telmex as the only private company to have worsened its corruption rating (employees taking bribes for providing phones)
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	They do not have an explicit policy to comply with the "Global Sullivan Principles of Corporate Social Responsibility" as such but they do comply with the spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	1	Poor enforcement at country level
10. Market regulation	3	

Section 2 – Bernstein’s Holdings by Country

TELEFONOS DE MEXICO SA DE (288161) – (Continued)

11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	45	

Section 2 – Bernstein’s Holdings by Country

Philippines

45. PHILIPPINE LNG DIS PHP5 (668566) – Integrated telecom operator

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company disclosure detailed, maintaining an ADR listing on the NYSE.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	2	Minor demonstration by employees about deadlock in wage negotiations
7. Corporate social responsibility	2	Variety of community support initiatives pursued
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	They do not have an explicit policy to comply with the "Global Sullivan Principles of Corporate Social Responsibility" as such but they do comply with the spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Country has failed to ratify some of the ILO's conventions.
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	Evidence of improved fiscal dynamics should lead to greater stability in interest rates and reduced currency risk.
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

PHILIPPINE LNG DIS PHP5 (668566) – (Continued)

14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	1	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	40	

Section 2 – Bernstein’s Holdings by Country

South Africa

46. ABSA GROUP, ZAR2 (B0DR0K) – South African Bank

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Semi-annual reporting only
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	<p>They do not have an explicit policy to comply with the "Global Sullivan Principles of Corporate Social Responsibility" as such but they do comply with the spirit.</p> <p>The primary governance code that Absa is required to comply with in South Africa is the King Code on Corporate Governance (King II), with which Absa fully complies.</p> <p>King II has various provisions dealing with corporate social responsibility and also recommends sustainability reporting in accordance with the Global Reporting Initiative (GRI) sustainability guidelines on economic, environmental and social performance (collectively referred to as the "triple bottom line") as a benchmark for reporting on sustainability, including corporate citizenship.</p> <p>Absa has adopted the GRI guidelines for its sustainability reporting.</p>

Section 2 – Bernstein's Holdings by Country

ABSA GROUP, ZAR2 (B0DR0K) – (Continued)

9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	49	

Section 2 – Bernstein’s Holdings by Country

South Africa

47. CONSOL ORD ZAR0.01 (B06BW8) – South African glass container manufacturer

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Semi-annual reporting only
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	Consol has an explicit human resources policy that incorporates workplace safety, environmental standards, equal opportunity and addresses disparities caused by past discrimination in society
7. Corporate social responsibility	2	In addition to the human resources policies outlined above, Consol allocates 1% of its after-tax earnings to community investment programs, actively managed by Consol management
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	

Section 2 – Bernstein’s Holdings by Country

CONSOL ORD ZAR0.01 (B06BW8) – (Continued)

13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	48	

Section 2 – Bernstein's Holdings by Country

South Africa

48. EDGARS CONSD STORE ZAR0.01 (B0BP74) - Edgars Consolidated Stores Limited retails clothing, footwear, accessories and home textiles through stores which trade under the "Edgars," "Sales House," "Jet," "ABC" and "Cuthberts" names. The Company also manufactures a variety of family clothing.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Although reporting is only on a semi-annual basis, the company's disclosure is detailed and above average for global retailers.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	Proactive within sector for its Black Empowerment deal which has been well received. Excellent relations with unions with no days lost to industrial action over the past year.
7. Corporate social responsibility	3	Significant disclosure into company's efforts to combat aids, Black empowerment. CSR spend = Rand 23m in FY 2005.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Company complies with the Sullivan principles
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	

Section 2 – Bernstein’s Holdings by Country

EDGARS CONSD STORE ZAR0.01 (B0BP74) – (Continued)

13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	51	

Section 2 – Bernstein’s Holdings by Country

South Africa

46. MEDI-CLINIC CORP ZAR0.1 (B0PGJF) – South African operator of private hospitals

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Semi-annual reporting only
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	We are mindful of Remgro’s 52% stake in Medi-Clinic and have discussed with management their intention to treat all shareholders equally. Remgro does not play an active role in managing the company.
6. Labor practices/harmful child labor	3	Company voluntarily submits to review and has qualified for membership in JSE’s Social Responsibility Index (also has criteria relevant to #7 and #8).
7. Corporate social responsibility	3	Company’s workforce (predominantly nurses) is very diverse (87% female, and 49% non-White) though the company recognizes a need to further diversify its management ranks (87% White). The company also announced expanded Black Economic Empowerment-related share ownership in the company in 2005.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	

Section 2 – Bernstein’s Holdings by Country

MEDI-CLINIC CORP ZAR0.1 (B0PGJF) – (Continued)

11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	49	

Section 2 – Bernstein’s Holdings by Country

South Africa

47. MURRAY & ROBERTS, ZARO.10 (B0N3K5) – South African construction company

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	The company provides comprehensive information in its annual reports, although recent frequent changes in the segment structure, as well as the number of structural changes make certain historical comparisons challenging.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	2	KLD drew attention to substandard accommodation provided to employees in Botswana. The company reports that the problem arose in connection with forced termination of employment of top management in Botswana. These matters have now been resolved; the company’s accommodation is of the standard used generally throughout Botswana. From July 2004 the operations in Botswana are now managed from South Africa, which will help prevent similar issues in the future.
7. Corporate social responsibility	3	KLD reported that the company was involved in the construction of a controversial hydroelectric dam project. But the company had actually dropped out of the bidding. Murray & Roberts prequalified in joint venture for the project, but withdrew after that stage. The issue now is that it is associated by implication because the contractor is recognized by its prequalified name. The company is an active participant in the South African government’s efforts to promote Black Economic Empowerment in the country.

Section 2 – Bernstein’s Holdings by Country

MURRAY & ROBERTS, ZARO.10 (B0N3K5) – (Continued)

8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The company’s by-laws do not explicitly reference the Global Sullivan Principles, but it follows their spirit through its actions. The participation in Black Economic Empowerment efforts already mentioned is one example. Further, significant attention is dedicated to employee health and safety. The group is currently busy with a safety awareness campaign called “Stop.Think” which is personally sponsored by the Group Chief Executive.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	48	

Section 2 – Bernstein’s Holdings by Country

South Africa

48. NASPERS (662269) - Diversified media company

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Semi-annual reporting only
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Maintains two distinct share classes; publicly traded shares are non-voting and do not afford tag-along rights to the shareholders
6. Labor practices/harmful child labor	2	KLD reported that a former employee awarded ZAR750,000 for failing to protect her from sexual harassment. Company is appealing the specific case. The company also claims to have in place a comprehensive education program on respecting individual rights at the workplace.
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	

Section 2 – Bernstein's Holdings by Country

NASPERS (662269) – (Continued)

13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	47	

Section 2 – Bernstein’s Holdings by Country

South Africa

49. NETWORK HEALTHCARE ZAR0.01 (663642) – Operator of private hospitals and related healthcare services, in South Africa and the UK

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Semi-annual reporting only
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	Company voluntarily submits to review and has qualified for membership in JSE's Social Responsibility Index (also has criteria relevant to #7 and #8).
7. Corporate social responsibility	3	Company's workforce (predominantly nurses) is very diverse (84% female and 54% non-White) though the company recognizes a need to further diversify its management ranks (84% White) and has set specific headcount targets by level. The company also announced expanded Black Economic Empowerment-related share ownership in the company in 2005.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	KLD notes that in 2005 Netcare employees were found to be involved in the sale of human kidneys. The company itself has said it was unaware of this activity and did not condone it.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	

Section 2 – Bernstein's Holdings by Country

NETWORK HEALTHCARE ZAR0.01 (663642) – (Continued)

11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	50	

Section 2 – Bernstein's Holdings by Country

South Africa

50. SANLAM, ZARO.01 (BOL675) – South African insurance company

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Semi-annual reporting only.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	They do not have an explicit policy to comply with the "Global Sullivan Principles of Corporate Social Responsibility" as such but they do comply with the spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein’s Holdings by Country

SANLAM, ZARO.01 (B0L675) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	49	

Section 2 – Bernstein’s Holdings by Country

South Africa

51. SASOL NPV (677745) – Refined petroleum products and chemicals producer

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Despite detailed operational data, financial reports are released only on semi-annual basis
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Some uncertainty remains regarding impact of government mandated sale of assets to Black Economic Empowerment enterprises.
6. Labor practices/harmful child labor	2	KLD cites poor safety record. Sasol has hired 3 rd party consulting firm to address the issue.
7. Corporate social responsibility	2	Company is taking active steps to support black economic empowerment initiatives. Company recently announced transactions to create BEE enterprises from parts of its mining business and liquids fuel business
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Company’s code of ethics is very similar to spirit of Sullivan Principles
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein's Holdings by Country

SASOL NPV (677745) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Recently government appointed commission to examine potential windfall tax on oil companies
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	49	

Section 2 – Bernstein's Holdings by Country

South Africa

52. STANDARD BANK (B030GJ) – South African bank.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Semi-annual reporting only.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	No material issues detected
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	<p>They do not have an explicit policy to comply with the "Global Sullivan Principles of Corporate Social Responsibility" as such but they do comply with the spirit.</p> <p>The primary governance code that Standard is required to comply with in South Africa is the King Code on Corporate Governance (King II), which Standard Bank fully complies with.</p> <p>King II has various provisions dealing with corporate social responsibility and also recommends sustainability reporting in accordance with the Global Reporting Initiative (GRI) sustainability guidelines on economic, environmental and social performance (collectively referred to as the "triple bottom line") as a benchmark for reporting on sustainability, including corporate citizenship.</p> <p>Standard Bank has adopted the GRI guidelines for its sustainability reporting.</p>

Section 2 – Bernstein's Holdings by Country

STANDARD BANK (B030GJ) – (Continued)

9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	50	

Section 2 – Bernstein’s Holdings by Country

South Africa

53. TELKOM SA ZAR10 (658857) – Integrated telecom operator

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company disclosure detailed, maintaining an ADR listing on the NYSE
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Government retains 38% stake but no evidence that minorities have suffered as a result
6. Labor practices/harmful child labor	2	Faced union issues with retrenching – Court delayed retrenching for reasons of inadequate consultation process
7. Corporate social responsibility	3	Telkom spent 45 million rand through the Telkom Foundation on a variety of Education and training, Empowerment and general society development projects in South Africa.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	They do not have an explicit policy to comply with the "Global Sullivan Principles of Corporate Social Responsibility" as such but they do comply with the spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

TELKOM SA ZAR10 (658857) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	50	

Section 2 – Bernstein’s Holdings by Country

South Africa

54. TIGER BRANDS ZAR0.1 (B0J4PP) - South African consumer products and pharmaceuticals company

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	High level of financial disclosure and proactive IR. Exceptionally detailed segment reporting. Above average despite only semi-annual reporting
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Initiatives taken in the context of black empowerment (e.g., sale of fishing business equity to black empowerment group) imply some erosion in shareholder value.
6. Labor practices/harmful child labor	3	No significant issues detected. The company has a strong program for Adult Basic Education and Training that provides literacy and numeracy skills to its workers.
7. Corporate social responsibility	3	The company allocates 1% of post-tax profits to supporting ‘social and community’ initiatives. The funds are contributed to the Unite Against Hunger program. This program is also supported by other S.African corporations and provides support to over 86,000 S.Africans.

Section 2 – Bernstein's Holdings by Country

TIGER BRANDS ZAR0.1 (B0J4PP) – (Continued)

8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	<p>The company has not specifically adopted the Sullivan principles. However, the company is supportive of the King II report on corporate governance. The company is also investigating the possibility of adopting the Global Reporting Initiative Guidelines as recommended by the King II.</p> <p>The primary governance code that the company is required to comply with in South Africa is the King Code on Corporate Governance (King II)</p> <p>King II has various provisions dealing with corporate social responsibility and also recommends sustainability reporting in accordance with the Global Reporting Initiative (GRI) sustainability guidelines on economic, environmental and social performance (collectively referred to as the "triple bottom line") as a benchmark for reporting on sustainability, including corporate citizenship.</p>
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	50	

Section 2 – Bernstein’s Holdings by Country

Taiwan

55. AU OPTRONICS CORP (287714) – Manufacturer of TFT/LCD displays.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Security is a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Extensive information supporting financial statements provided
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	Products fabricated mostly by automated equipment
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

AU OPTRONICS CORP (287714) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	49	

Section 2 – Bernstein’s Holdings by Country

Taiwan

56. CHINA STEEL CORP TWD10 (619095) – Manufacturer of steel products

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Government retains a 23% stake but no evidence that minorities have suffered as a result
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	3	Proactive community and charitable programs. Since 1997, have clearly stated environmental policy signed by Board and Chairman. Publishes annual environmental report
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

CHINA STEEL CORP TWD10 (619095) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	47	

Section 2 – Bernstein’s Holdings by Country

Taiwan

57. CMC MAGNETICS CORP TWD10 (623848) – Manufacturer of optical disks.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Opaque disclosure of investment holdings
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	Products fabricated mostly by automated equipment
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

CMC MAGNETICS CORP TWD10 (623848) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Taiwan

58. COMPAL ELECTRONIC TWD10 (622574) – Assembler of notebook PCs.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Extensive detail and explanatory notes in financial reports
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	Product assembly involves manual labor, but by nature must be done under clean conditions
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

COMPAL ELECTRONIC TWD10 (622574) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	47	

Section 2 – Bernstein’s Holdings by Country

Taiwan

59. FAR EASTONE TELECO TWD10 (642185) - Wireless telecom operator

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company disclosure detailed, maintaining an ADR listing on the NYSE
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

FAR EASTONE TELECO TWD10 (642185) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	47	

Section 2 – Bernstein’s Holdings by Country

Taiwan

60. GIGA-BYTE TECH TWD10 (612918) – Manufacturer of motherboards.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	Products fabricated mostly by automated equipment
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

GIGA-BYTE TECH TWD10 (612918) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Taiwan

61. HON HAI PRECISION TWD10 (643856) – Contract manufacturer of computer, consumer electronics and communications products

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Below average transparency although the company will provide some additional clarity when asked. Factors include: lack of earnings calls, lack of timely release of consolidated financials, and no segmentation of business units
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	One isolated issue was an unscheduled shareholder vote on TFT-LCD investment that was not on the proxy for absentee shareholders.
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The company complies with these principles in spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

HON HAI PRECISION TWD10 (643856) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Taiwan

62. QUANTA COMPUTER TWD10 (614101) – Manufacturer of notebook PCs.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	Product assembly involves manual labor, but by nature must be done under clean conditions
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

QUANTA COMPUTER TWD10 (614101) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Taiwan

63. RITEK CORP TWD10 (674075) – Manufacturer of optical disks.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Opaque disclosure of investment holdings
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	Products fabricated mostly by automated equipment
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

RITEK CORP TWD10 (674075) – (Continued)

15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	46	

Section 2 – Bernstein’s Holdings by Country

Taiwan

64. TAIWAN SEMICON MAN TWD 10 (688910) – Manufacturer of logic semiconductors

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Security has a depository receipt listed on the NYSE and subject to the exchange’s reporting and disclosure requirements. Extensive details provided in support of quarterly financial statements
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	Company received OHSAS18001 certification for its occupational health safety management system and is a recipient of Safety and Hygiene awards from Council of Labor Affairs. Company states commitment to employee professional development.
7. Corporate social responsibility	3	Company is a member of the Dow Jones sustainability index for the fifth consecutive year.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Company is a recipient of awards for environmental protection, waste disposal and water conservation from the Environmental Protection Agency.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Note that Taiwan is not recognized by the ILO and as result the ILO does not maintain data or surveillance on its compliance
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	

Section 2 – Bernstein's Holdings by Country

TAIWAN SEMICON MAN TWD 10 (688910) – (Continued)

13. Liquidity risk	3	Average trading volume is greater than \$100 million per day.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	50	

Section 2 – Bernstein’s Holdings by Country

Thailand

65. GLOW ENERGY PCL COMMON STOCK (B074GX) – Glow generates electricity and heat which is sold to industrial companies as well as the grid operators in Thailand. The company is a majority owned subsidiary of Suez – the French Energy and Water conglomerate – which partially floated the company last year.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	The company was listed in 2005, and so has not had a great deal of time to provide information. The initial prospectus, and subsequent meetings with management, provided excellent insight into the company.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Two issues should be highlighted. First, the company continues to be majority owned by Suez. Suez’s long term strategy for the company is unclear, and it is possible that the company will place further shares in the market this year. Additionally, Suez is the subject of merger discussions with Gaz de France, which could materially affect the strategy of Suez towards Glow and could lead to divestment of the company.
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	

Section 2 – Bernstein's Holdings by Country

GLOW ENERGY PCL COMMON STOCK (B074GX) – (Continued)

10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	There is uncertainty regarding the evolution of the Thai electricity sector, with the planned privatization of the dominant, government owned company (EGAT) recently blocked on legal grounds. Although there are, as yet, no direct implications for Glow, consequential changes to the sector and its regulation could have a material impact on Glow.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Thailand

66. PTT CHEMICAL THB10 (ALIEN MKT) (B0T9TM) – Manufacturer of commodity chemicals

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Group profit sharing scheme with PTT Public Company, the parent company, seems to have some issue. Require constant monitoring.
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	States some principles in its corporate policy. Has received awards/certification in the safety and health management at both TOC and NPC in the past.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	

Section 2 – Bernstein's Holdings by Country

PTT CHEMICAL THB10 (ALIEN MKT) (B0T9TM) – (Continued)

16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Thailand

67. PTT PUBLIC COMPANY THB10 (ALIEN MKT) (642039) – Energy: Exploration and Production, Refining, Petrochemicals

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Ministry of Finance holds 52% of company's outstanding shares.
6. Labor practices/harmful child labor	2	KLD report indicates forced labor being used in Myanmar. PTT Public Company has denied such incident via letter. (Letter attached)
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Company is involved in operations in Burma. Company denies allegations by human rights groups that it used forced labor in its international projects
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	

Section 2 – Bernstein's Holdings by Country

PTT PUBLIC COMPANY THB10 (ALIEN MKT) (642039) – (Continued)

14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	43	

Section 2 – Bernstein’s Holdings by Country

Thailand

68. REGIONAL CONT LINE THB1 (ALIEN MKT) (669393) – Ocean freight transportation services.

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Monthly disclosure on key operating data
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Founding family controls majority stake but no evidence that minorities have suffered as a result.
6. Labor practices/harmful child labor	3	No material issues detected
7. Corporate social responsibility	2	The company participates in social contributions, such as donation to hospitals, university scholarship etc. (less than 1% of profit)
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	No explicit reference to Global Sullivan Principles
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

REGIONAL CONT LINE THB1 (ALIEN MKT) (669393) – (Continued)

15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	45	

Section 2 – Bernstein’s Holdings by Country

Thailand

69. SIAM CITY BANK (612583) – Public Sector Bank in Thailand

CalPERS Policy	Company Score 1-3 <small>Note: See Section 4 for rating definitions.</small>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Although no proactive IR department exists, the minimum requirements of the local regulations provide adequate disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	No material issues detected at the company level.
7. Corporate social responsibility	2	Participating in the controversial dam project in Laos.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	3	
13. Liquidity risk	2	Restrictions on foreign ownership affects liquidity
14. Repatriation risk	3	

Section 2 – Bernstein's Holdings by Country

SIAM CITY BANK (612583) – (Continued)

15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	44	

Section 2 – Bernstein’s Holdings by Country

Turkey

70. AKBANK TRY1 (B03MN7) – Turkish Bank

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Turkish accounting standards do not report on a consolidated basis. Usually time lag for publication of IAS reports.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Controlling shareholding by Sabanci group, but no evidence that minorities have suffered as a result of their control
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	1	Despite progress in recent years, an appreciated currency combined with uncertain long-term prospects for debt dynamics lead to high currency risk
13. Liquidity risk	2	

Section 2 – Bernstein’s Holdings by Country

AKBANK TRY1 (B03MN7) – (Continued)

14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Government commitment to privatization has encountered political obstacles, particularly in energy sector
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	41	

Section 2 – Bernstein’s Holdings by Country

Turkey

71. FORD OTOMOTIV SAN TRY1 (B03MSR) – Manufacturer and distributor of light trucks and passenger cars

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Turkish accounting standards do not report on a consolidated basis. Usually time lag for publication of IAS reports
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Controlled by Ford Europe and Koc Holdings. In 2005, Ford Otosan’s debt rating was downgraded as a result of deteriorating financial conditions at The Ford Motor Company
6. Labor practices/harmful child labor	3	No material issues detected at the company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	1	Despite progress in recent years, an appreciated currency combined with uncertain long-term prospects for debt dynamics lead to high currency risk

Section 2 – Bernstein's Holdings by Country

FORD OTOMOTIV SAN TRY1 (B03MSR) – (Continued)

13. Liquidity risk	3	
14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Government commitment to privatization has encountered political obstacles, particularly in energy sector
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	42	

Section 2 – Bernstein’s Holdings by Country

Turkey

72. TURKIYE PETROL RAF TRY1 (TUPRAS (T PETR RAF), TRL 1000) (B03MYT) – Turkish refinery

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Quarterly results typically released without English version of management discussion
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Koc group has recently acquired controlling share from government, however, the privatization is currently disputed at court
6. Labor practices/harmful child labor	3	No material issues detected at company level. Labor unions object to privatization
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	1	Despite progress in recent years, an appreciated currency combined with uncertain long-term prospects for debt dynamics lead to high currency risk

Section 2 – Bernstein’s Holdings by Country

TURKIYE PETROL RAF TRY1 (B03MYT) – (Continued)

13. Liquidity risk	3	
14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Government commitment to privatization has encountered political obstacles, particularly in energy sector
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	3	
Company Total score:	43	

Section 2 – Bernstein’s Holdings by Country

Turkey

73. VAKIFBANK BANKASI T.A.O. (B0N6YC) - Turkish Bank

CalPERS Policy	Company Score 1-3 Note: See Section 4 for rating definitions.	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Turkish accounting standards do not report on a consolidated basis. Usually time lag for publication of IAS reports.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Controlling shareholding by General Directorate of Foundations, but no evidence that minorities have suffered as a result of their control
6. Labor practices/harmful child labor	3	No material issues detected at company level
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	1	Despite progress in recent years, an appreciated currency combined with uncertain long-term prospects for debt dynamics lead to high currency risk
13. Liquidity risk	2	

Section 2 – Bernstein's Holdings by Country

VAKIFBANK BANKASI T.A.O. (B0N6YC) – (Continued)

14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Government commitment to privatization has encountered political obstacles, particularly in energy sector
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	41	

Section 3 – Bernstein’s Rejected Holdings due to Investability Policies

Country	Company name	Reason Rejected
Mexico	TV Azteca	<i>Unacceptable Transparency and Shareholder rights protection</i> – The SEC has filed a civil suit against the company, its parent, Chairman, and former CEO regarding failure to disclose a controversial debt transaction between the Chairman and CEO with the cell phone unit of TV Azteca.
Mexico	Gpo Mexico	<i>Unacceptable Transparency</i> – inadequate explanatory notes on important items in financial statements <i>Poor record as a corporate citizen</i> – Numerous environmental liabilities at Asarco, a business they had acquired in 1999, which subsequently filed for bankruptcy. The legal strategy of keeping the claims away from the holding company, and thus implicitly avoiding the clean up costs, is central to the financial success of the company
Mexico	Gpo Elektra	<i>Unacceptable Transparency and Shareholder rights protection</i> – The company is controlled by Ricardo Salinas, the Chairman of TV Azteca. The SEC has filed a civil suit against the company, its parent, Chairman, and former CEO regarding failure to disclose a controversial debt transaction between the Chairman and CEO with the cell phone unit of TV Azteca.
Brazil	Eletrobras	This was a holding that we decided to liquidate as investability issues continued to worsen. <i>Unacceptable Transparency and Shareholder rights protection</i> – The company had been acquiring affiliated electricity generation assets even as the government was changing tariff regulations to be highly unfavorable to generators. It has become clear that the objective of the company is to provide subsidized electricity to Brazilian industries and citizens at the expense of non-government minority shareholders.
India	India Oil Corp	<i>Human rights</i> – The company has a 15% stake in the Port Sudan oil refinery expansion and Khartoum-Port Sudan Petroleum products pipeline project with the Sudanese government. KLD also cited excessive corrupt business practices and poor labor and environmental record.
Korea	Kepco	<i>Unacceptable Shareholder rights protection and government influence on free markets</i> – Government control of this electric utility is in direct conflict of government policy to set low electricity tariffs. Rather than raise tariffs to economic levels, the government has asked management to sell its uneconomic generating assets and invest future cash flows to earn higher returns in other markets.

Section 3 – Bernstein’s Rejected Holdings due to Investability Policies

Korea	S-Oil	<i>Unacceptable Transparency and Shareholder rights protection</i> – Its Chairman was sentenced to a 3 year jail term for securities fraud. No indication that the company has instituted any meaningful changes to safeguard minorities rights in the future.
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Section 4 – Rating Definitions for CalPERS’ Policies

CalPERS Policy	Research Process	Rating Definitions
1. Transparency, including elements of a free press necessary for investors	<p>Assess press freedom, monetary, and fiscal transparency at country level. Sources include IMF, World Bank, Political Risk Services, and country visits.</p> <p>Assess reporting of financial and operating results at company level. Sources include company reports, IAS, Stock exchange regulations, and interviews with company management.</p>	<p>3 – Above average</p> <p>2 – Lacking some transparency but adequate information if sought</p> <p>1 – Lacking acceptable transparency</p>
2. Political stability	Judge in global political context. Sources include Political Risk Services and country visits.	<p>3 – stable</p> <p>2 – Isolated anomalous events</p> <p>1 – Systematic shortfalls</p>
3. Progress towards the development of basic democratic institutions and principles	Sources include Political Risk Service, country visits, and local periodicals.	<p>3 – No serious incident</p> <p>2 – Isolated incidents</p> <p>1 – Systematic shortfalls</p>
4. Strong and impartial legal system	Assess stated legal structure and consistency of enforcement. Sources include press reports, country visits, and examination of any questionable practices.	<p>3 – No adverse events</p> <p>2 – Isolated adverse events</p> <p>1 – Systematic shortfalls</p>
5. Property/shareholder rights	Assess on both country and company level practices. At country level examine protection of property rights as well as potential conflicts between government regulations and shareholder rights. At company level, the focus is on judging whether the company’s Board and management are working on behalf of shareholders. Sources include public filings, ISS, interviews with company management, interviews with government officials and market regulators, and third party surveys.	<p>3 – Clearly acceptable</p> <p>2 – Rights are imprecise but with clear precedents</p> <p>1 – Clearly unacceptable</p>

Section 4 – Rating Definitions for CalPERS’ Policies

CalPERS Policy	Research Process	Rating Definitions
6. Labor practices/harmful child labor	Review stated country and company policies. Use KLD to identify any questionable incidences and follow up with company management to review facts and remedies. Sources include ILO data, KLD, company websites, and interviews with company management.	3 – No issues detected 2 – Isolated issue, addressed by management 1 – Multiple issues, not addressed by management
7. Corporate social responsibility	Review relative scope of programs across companies and countries. Sources include public filings, company websites, third party surveys, and interviews with company management.	3 – Above average, takes proactive steps 2 – Isolated event, addressed by management 1 – Pattern of incidents, not addressed by management
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	Ask each company’s management whether they explicitly follow the Principles.	3 – Full compliance 2 – Partial compliance 1 – Non-compliance
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	Determine whether a country has ratified the eight ILO conventions. Use KLD to help identify any incidences of non-compliance. Sources include Verite, KLD, and ILO data.	3 – High level of ratification/ legal definition of compliance 2 – Partial ratification/ legal definition/variable compliance 1 – Low level of ratification/legal definition/compliance
10. Market regulation	Sources include sub-custodian network, local brokers, market regulators and other government officials, trading desk, and interviews with company management.	3 – Regulation conducive to institutional investors 2 – Regulation adequate for institutional investors 1 – Regulation inadequate
11. Market volatility	Examine individual company volatility. Sources include Bloomberg, trading desk, and proprietary risk models.	3 – Relatively low volatility 2 – Relatively high volatility, but manageable 1 – High volatility
12. Currency risk	Assess both country and company level risk. Country level based on review of country’s financial stability. Company level based on individual company’s exposure to currency fluctuation.	3 – Minimal risk 2 – Average risk 1 – High risk
13. Liquidity risk	Review individual company liquidity. Sources include Bloomberg, trading desk, and local brokers.	3 – High liquidity 2 – Acceptable liquidity 1 – Illiquid

Section 4 – Rating Definitions for CalPERS’ Policies

CalPERS Policy	Research Process	Rating Definitions
14. Repatriation risk market openness to foreign investors	Review country’s balance of payment to assess potential risk. Sources include various economic sources and internal analysis.	3 – Little repatriation risk 2 – Economic problems but not entailing repatriation risk 1 – Clearly existing repatriation risk
15. Market openness to foreign investors	Examine government regulations, particularly in sectors and industries with market regulations. Sources include public filings, interviews with government regulators, interviews with company management, and S&P Emerging Markets.	3 – Minimal restrictions 2 – Trade and investment restrictions exist, but are consistent 1 – Arbitrary restrictions
16. Government commitment to free market policies	Examine whether actions differ significantly from stated policies and regulations. Sources include press reports and interviews with government officials.	3 – Little government influence in resource allocation 2 – Transparent government involvement in resource allocation 1 – Opaque government involvement
17. Legal protection for foreign investors	Assess existing codes and record of enforcement. Sources include sub-custodian network and interviews with government officials.	3 – Foreign investors have equality with domestic investors 2 – Foreign investors have different terms but not seriously disadvantages 1 – Foreigners seriously disadvantages
18. Trading and settlement proficiency	Sources include sub-custodian network, trading desk, and brokers.	3 – Efficient and accurate system 2 – Some isolated problems 1 – Multiple difficulties
19. Transaction costs	Quantify commissions at country level and bid/ask spreads at company level. Companies in the 1 st quintile are rated 3 while companies in the 5 th quintile are rated 1. All other companies are rated 2.	3 – Very low transaction costs 2 – Average transaction costs 1 – High transaction costs